

§ 131E-286. Ongoing financial standards – Net worth.

(a) Beginning the first day of operation of the PSO and except as otherwise provided in subsection (d) of this section, every PSO shall maintain a minimum net worth equal to the greatest of the following amounts:

- (1) One million dollars (\$1,000,000);
- (2) Two percent (2%) of annual premium revenues as reported on the most recent annual financial statement filed with the Division on the first one hundred fifty million dollars (\$150,000,000) of premium and one percent (1%) of annual premium on the premium in excess of one hundred fifty million dollars (\$150,000,000);
- (3) An amount equal to the sum of three months uncovered health care expenditures as reported on the most recent financial statement filed with the Division;
- (4) An amount equal to the sum of:
 - a. Eight percent (8%) of annual health care expenditures paid on a noncapitated basis to nonaffiliated providers as reported on the most recent financial statement filed with the Division; and
 - b. Four percent (4%) of annual health care expenditures paid on a capitated basis to nonaffiliated providers plus annual health care expenditures paid on a noncapitated basis to affiliated providers; and
 - c. Zero percent (0%) of annual health care expenditures paid on a capitated basis to affiliated providers regardless of downstream arrangements from the affiliated provider.

(b) In calculating net worth, liabilities shall not include fully subordinated debt or subordinated liabilities. For purposes of this provision, subordinated liabilities are claims liabilities otherwise due to providers that are retained by the PSO to meet net worth requirements and are fully subordinated to all creditors.

(c) In calculating net worth for purposes of this section, the items described in G.S. 131E-282(b) shall be admitted, except as follows:

- (1) For intangible assets, if at least the greater of one million dollars (\$1,000,000) or sixty-seven percent (67%) of the ongoing minimum net worth requirement is met by cash or cash equivalents, then the Division shall admit the book value of intangible assets up to twenty percent (20%) of the minimum net worth amount required. If less than the greater of one million dollars (\$1,000,000) or sixty-seven percent (67%) of the ongoing minimum net worth requirement is met by cash or cash equivalents, then the Division shall admit the book value of intangible assets up to ten percent (10%) of the minimum net worth amount required; and
- (2) Deferred acquisition costs shall not be admitted.

(d) The Division may lower the minimum ongoing net worth threshold, and the amount held in cash or cash equivalents for PSOs that operate primarily in rural areas.

(e) During the start-up phase of the PSO, the pre-break-even financial plan requirements shall apply. After the point of breakeven, the financial plan requirement shall address cash needs and the financing required for the next three years.

(f) If a PSO, or the legal entity of which the PSO is a component, did not earn a net operating surplus during the most recent fiscal year, the PSO shall submit a financial plan, satisfactory to the Division, meeting all of the requirements established for the initial financial plan. (1998-227, s. 1.)